

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 COME-00 DOE-15 SOE-02 TRSE-00
L-03 H-01 STR-07 ACDA-12 AID-05 CEA-01 INT-05
NSC-05 OES-07 PM-05 SP-02 SS-15 CIAE-00 INR-10
NSAE-00 DODE-00 OMB-01 ICA-11 NRC-05 /135 W
-----122562 091827Z /46

R 082037Z JUN 78
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 8450
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3875

E.O. 11652 N/A
TAGS: EINV, EMIN, ENRG, EC
SUBJECT: NORTHWEST MAKES FORMAL OFFER TO STAY OR LEAVE

1. GLEN NELLE, THE U.S. BASED HEAD OF NORTHWEST ECUADOR,
PRESENTED ON JUNE 6 TO NATURAL RESOURCES MINISTER GEN. JAIME
EDUARDO SEMBLANTES A LETTER WITH ANNEXES HIGHLIGHTING
NORTHWEST'S EXPLORATION ACTIVITIES TO DATE IN ECUADOR.

2. THE FINAL PARAGRAPHS OF THE LETTER STATE THAT NORTHWEST
IS STILL WILLING TO PARTICIPATE WITH THE GOE IN A MUTUALLY-
ACCEPTABLE PROJECT TO DEVELOP THE NATURAL GAS DEPOSITS IN
THE GULF OF GYAYAQUIL.

3. NORTHWEST ALSO PROPOSES IN THE LETTER THAT IF A
MUTUALLY-ACCEPTABLE AGREEMENT CANNOT BE ARRANGED, NORTHWEST'S
CONTRACT RIGHTS SHOULD BE TRANSFERRED TO A FIRM ACCEPTABLE
TO THE GOE. (THERE IS SOME QUESTION AS TO THE PROPER
LEGAL MEANS UNDER ECUADOREAN LAW TO TRANSFER CONTRACT RIGHTS
TO A NEW FIRM.) IN RETURN, THE GOE AND/OR THE NEW FIRM
WOULD RECOGNIZE AND PAY FOR NORTHWEST'S INVESTMENT THUS FAR
IN ECUADOR. NORTHWEST EXECUTIVES HAVE TOLD EMBOFFS
THEIR ASING PRICE WOULD BE ABOUT \$4 MILLION, THE BULK
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OF WHICH (ABOVE \$3.5 MILLION) WAS INCURRED PRIOR TO THE
END OF 1976, AS RECOGNIZED BY THE GOE IN OFFICIAL AUDITS.
THE EXACT VALUE OF NORTHWEST'S INVESTMENT SINCE THE END
OF 1976 WOULD STILL HAVE TO BE AUDITED.

4. MINISTER SEMBLANTES PROMISED NORTHWEST TO BRING THE
DOCUMENTS TO THE ATTENTION OF THE CABINET DURING ITS

NEXT MEETING ON JUNE 13.

5. COMMENT: THE GOE AND NORTHWEST APPEAR TO HAVE BECOME POLARIZED CONCERNING THE PROPER USE OF THE NATURAL GAS. THE GOE CONTINUES TO LEAN TOWARDS BUILDING A LARGE AMMONIA/UREA PLANT, WHICH NORTHWEST DISMISSES AS ECONOMICALLY UNFEASIBLE. NORTHWEST'S FAVORED PROPOSAL TO PIPE THE GAS ASHORE TO GUAYAQUIL FOR ELECTRICITY GENERATION AND OTHER INDUSTRIAL USES IS OPPOSED BY THE GOE. WITH THE WRITTEN PROPOSAL TO SELL ITS CONTRACT RIGHTS, NORTHWEST APPEARS TO BE PREPARING FOR A WITHDRAWAL FROM ECUADOR.
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Message Attributes

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